

The complaint

Mr and Mrs G complain that Lloyds Bank PLC (when it was trading as TSB) mis-sold them a mortgage payment protection insurance (“PPI”) policy.

What happened

In 1997 Mr and Mrs G took out a mortgage with PPI to protect their monthly mortgage repayments if one or both of them couldn’t work.

Mr and Mrs G took out some additional borrowing on this account later on and it looks like they might’ve increased the cover they had under their existing policy. So in my decision I’m just concentrating on what happened when they were sold PPI in the first place with their mortgage in 1997.

Our adjudicator looked at this complaint and didn’t think it should be upheld. Mr and Mrs G disagree, and they’d like an ombudsman to review what’s happened.

Mr and Mrs G mainly say that they took out the PPI because they were told they had to have it. And they’re unhappy because the policy didn’t pay out during the first three months of unemployment - so this meant Mr and Mrs G were unable to benefit from having the policy when Mr G lost his job.

What I’ve decided - and why

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint. We’ve set out our general approach to complaints about the sale of PPI on our website and I’ve taken this into account in deciding this case.

I’ve decided not to uphold Mr and Mrs G’s complaint.

Mr and Mrs G took out the mortgage in joint names and they both had PPI, so I’ve looked at both their circumstances when the policy was taken out.

Looking at the paperwork they completed, I think Lloyds made Mr and Mrs G aware that the PPI was optional and they chose to have it.

I can see that there’s a section on their mortgage application that asks if they want to have PPI where it says: ‘Applying for TSB MortgageSure’ (this is what TSB called its PPI at the time). There were ‘Yes’ and ‘No’ PPI options. So although I don’t know what was said about the PPI, Mr and Mrs G would’ve been able to see that it was up to them to say if they wanted PPI – it wasn’t something they had to take out.

And I can see the ‘Yes’ option is ticked on the form Mr and Mrs G signed. And they’ve both answered questions to check they were eligible and also marked the form to indicate that they wanted to split the policy benefits between them equally. They could’ve ticked the ‘no’

option instead if PPI wasn't something they'd wanted – this is left blank on Mr and Mrs G's signed application.

As this happened so long ago, it's easy to understand how Mr and Mrs G could've forgotten some of these details now. And I can't be sure what was discussed between them and Lloyds at the time they took out the PPI. But what they've said about the way they were sold this PPI isn't enough on its own for me to be able to uphold their complaint. I have to take into account all the available information and decide what I think is most likely.

On balance, based on all the information I've seen, I think Mr and Mrs G decided at the time that they wanted to have the benefits that PPI offered and they chose to take out the policy.

Lloyds wasn't sure how it sold Mr and Mrs G the PPI. To be as fair as possible, it looked at their mis-sale complaint on the basis that it had recommended PPI to Mr and Mrs G during the meeting Mr and Mrs G mentioned having at the bank. Given the lack of paperwork showing how Lloyds sold the PPI to Mr and Mrs G, I think this is the fairest way to assess this complaint as it imposes extra obligations on the lender. If a business makes a recommendation about PPI, it doesn't just have to give important policy information in a clear way. It also has to take reasonable steps to make sure the cover it recommends is suitable.

Lloyds told us that it doesn't any longer have a policy document from the exact date when Mr and Mrs G took out the PPI. But it has provided a policy document which was in use shortly afterwards. So I think it's reasonable to rely on this information and I think it's likely that the policy Mr and Mrs G took out would've had substantially the same terms and conditions.

I've seen nothing to make me think that Mr and Mrs G weren't both eligible for the policy given their circumstances.

I've taken into account Mr and Mrs G's comments, including what they've said about their sick pay and the other means they had to rely on if they weren't working. But I think the policy still potentially offered them useful benefits.

Mr and Mrs G told us they would've only been able to rely on sick pay from their employers for less than 3 months. But the policy would've paid out on top of their work benefits and for longer - up to 12 months per claim if Mr G and/or Mrs G couldn't work as a result of sickness or disability.

Also the policy could've paid out if Mr and Mrs G became unexpectedly unemployed.

Although they've mentioned having some other means they could've relied on if they weren't working, it doesn't mean that PPI wasn't suitable for them.

I haven't seen anything to show that they already had enough other means or PPI in place that covered their mortgage or that this policy duplicated existing cover. Life insurance provides a different sort of benefit and pays out in different circumstances to PPI.

Looking at the information I've got, I don't think it's likely that either Mr G or Mrs G could've easily managed the mortgage monthly repayments on their own for long if the other wasn't working. So, I think the policy offered Mr and Mrs G useful benefits.

Mr and Mrs G weren't affected by any of the conditions limiting the policy's main benefits. So, as they could've benefitted from the full extent of the cover, I think it unlikely that better information about the policy's exclusions and limitations would've put them off taking it out.

It's possible some of the information Lloyds gave Mr and Mrs G about the PPI wasn't as clear as it should've been. But I think they chose to take out the policy, when they could've said they didn't want to, and so it appears to me they did want to have this type of cover.

There was some information about what the PPI would cost them each month set out in their mortgage offer. So Mr and Mrs G would've been able to see what they would have to pay for the policy.

If it wasn't something they wanted to pay for, then they could've opted out of the PPI at that stage.

And given that they paid for the policy on a monthly basis they could've cancelled it at any time later on without further cost.

Their mortgage was a major financial commitment, and their home could've been at risk if their mortgage payments weren't kept up to date. So, I can see why they might've felt PPI was useful to have at the time – even if they've forgotten this now. Looked at overall, it doesn't look as if Mr and Mrs G have lost out as a result of anything Lloyds did wrong. So it doesn't need to do anything to put things right.

In coming to my decision I've thought carefully about everything that Mr and Mrs G have told us – including what they've said in response to our adjudicator's view letter.

I'm sorry to learn of the problems they faced when Mr G lost his job and was out of work. But that doesn't mean PPI must have been mis-sold when they took the policy out and it isn't a reason for me to uphold this complaint.

It looks like the policy terms allowed a claim to be put in for unemployment after 60 continuous days off work, then benefit was payable from the first day off work and benefit became due on the 61st day. I don't think those are unusual or onerous terms.

And if (as they say) they were told the qualifying period was 90 days before being able to claim, this still wouldn't be enough to change my mind – that would still be fairly typical of this sort of condition in policies of this type

So what they've told me isn't enough to change the outcome of their complaint.

I've also thought about whether Lloyds needs to give back to Mr and Mrs G some of the commission they paid.

The Supreme Court ruling and new rules and guidance don't apply to certain types of mortgage agreement – including a 'regulated mortgage'. As Mr and Mrs G's mortgage became a regulated mortgage before 6 April 2008 they don't apply.

So Lloyds doesn't need to refund any of the commission Mr and Mrs G paid for the PPI they had with this mortgage.

My final decision

For the reasons set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G and Mrs G to accept or reject my decision before 7 May 2020.

Susan Webb

Ombudsman